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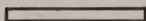
A HISTORY
OF
BANKING IN OHIO

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By
P. W. HUNTINGTON

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A HISTORY OF BANKING IN OHIO

The early history of banking in the state of Ohio is much obscured by want of records on the subject, but enough is known to demonstrate the fact that banking has been an important factor in the growth of the commonwealth from the beginning of its existence down to the year 1912.

The first institution in Ohio to issue notes for circulation as money was the Miami Exporting Company, of Cincinnati, which was incorporated April 15, 1803. The act of incorporation has no reference to a bank. There is no intimation anywhere in the charter that a bank was meant, nor that the company was granted authority to issue notes to be used as money ; but it did issue them and they passed into circulation. These notes were not all finally redeemed. In the early history of the state, banking was practically free, and, as a natural consequence, it was fraught with disaster to stockholders and to the public alike. From 1803 down to the year 1845 the conditions under which the business of the state was conducted were most deplorable.

Between March 10, 1808, and January 14, 1818, there were 20 banks incorporated in the state, with an aggregate authorized capital of \$4,350,000; but it is, perhaps, impossible now to ascertain what proportion of this authorized capital was paid up. These banks were located in the southwestern, the central,

the eastern and the northeastern sections of the state, and often in what were then isolated places, with only occasional communication with the outside world. Most of them failed or were closed out with heavy loss. Their charters were very crude in form and often at great variance with each other in their provisions, and, except that, in some cases, and under certain conditions, the directors might be held personally responsible, there was little or no security provided for the public, which suffered frequent and heavy losses from bank failures. Much of the paper money circulated among the people had been issued hundreds of miles beyond the borders of the state, and its value was not, and could not be, known by those among whom it circulated.

As an illustration of the kind of banks established during this early period, the report of the Comptroller of the Currency for the year 1897 names one of the "wild-cat" banks of Michigan, which never had any specie, although its liabilities exceeded \$38,000 ; and it had no assets of any kind. The Exchange Bank of Shiawassee, when it failed, had in its safe seven coppers, and a very small amount of paper ; while it had liabilities to the amount of \$22,267. A history of Jefferson County, Ohio, states that a bank at Salem in that county, failed in 1816, and "the only asset was a table." The same authority says another bank in that county had, as the only asset, "a keg filled with nails, having a mere covering of gold and silver coin." Other similar cases are recorded, showing in many cases, great want of intelligence, and of integrity, on the part of those

who, under a system of free banking, undertook to carry on the business.

Wildcat banking was a curse to Ohio, in common with other Western states, and the spurious credit established by it was a blot on the fair name of commercial integrity. The losses imposed by this evil were as widespread as the communities of the state, and every man was liable to have in his pocket money which was worthless, or which could be passed only at a ruinous rate of discount. A clause is found in some of the early bank charters that "the capital stock shall never be impaired by the dividends;" and the legislature appears to have assumed that the banks created by it had a right, without the grant, to issue notes for circulation. How that supposed right was used, and abused, can never be fully known.

In a communication from Ralph Osborn, then auditor of state, to the legislature, in the winter of 1820, he reported \$28,934 of bad bank notes in the state treasury, of which he had "no doubt the greater part is irrevocably lost to the state." In 1831 this amount of bad money in the treasury had increased to about \$33,000. On May 20, 1820, the Niles Register, a newspaper published at Niles, O., named nine specie paying banks in Ohio, and the "notes of the rest are generally 25 to 30 per cent. discount." It is noteworthy that one of these nine specie paying banks was the Franklin Bank of Columbus.

The facts here mentioned, and many others which might be cited, show, conclusively, the vital necessity which then existed for the exercise of more wisdom,

or, may it not be said, of some wisdom in the organization and management of banks. The situation was not unlike that in England during the period, in the time of William and Mary, when clipped coins made up most of the circulating medium of the realm, and it became absolutely unbearable.

The reports of banks made to the Auditor of State, and by him reported to the Legislature, as of the first day of January 1843, show the condition of the fifteen banks so reporting to be, in the aggregate, as follows, to-wit :

Total loans	\$4,099,746	Ave. per bk.	\$273,316
“ Specie on hand	557,309	“ “ “	37,154
“ Circulation	1,145,165	“ “ “	76,344
“ Deposits	740,666	“ “ “	49,377

Of these fifteen reporting banks, the Commercial Bank of Cincinnati made the largest report, with deposits of \$205,022; and the Bank of Mt. Pleasant made the smallest, its deposits being only \$393. This report of the State Auditor is inadequate, and does not show a full statement of the Banking business of the State at the time of its date, because some of the chartered banks refused, for political reasons, to report their business, and because there was no provision in their charters requiring them to do so ; and because, also, much of the banking business of the State was conducted by private bankers, who were not expected to report. But it serves to show the immense growth of the banking business in the State during the seventy years which have elapsed since its date.

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The strife here referred to, between the law makers of the State of Ohio and its bankers, finally culminated when, in the winter of 1853-4, the Legislature passed a law known as "The Crow-bar law," which was designed to give any Sheriff the right to enter, by force, into any bank vault in his county and help himself to such money as would satisfy his demand for taxes. One bank, in eastern Ohio, was subjected to this drastic treatment, when the sheriff, backed by his posse, broke open its vault and helped himself. The Columbus banks paid this outrageous tax, *under protest*, rather than have their vaults destroyed; but immediately brought suit for its recovery, which was accomplished when the Supreme Court of the State pronounced the "Crow-bar law" unconstitutional. The exigencies which soon required great expansion of credit by the General Government, chiefly through the medium of banks, brought peace between democratic statesmen and bankers everywhere.

An ever present form of loss and annoyance to bankers, and to the public also, during the first sixty years of banking in Ohio, was the unending supply of counterfeit bank notes which were passed upon unsuspecting victims. This was a crying evil; and no bank teller was expert enough to detect all the spurious currency offered, innocently in most cases, to him. For the twelve years following 1850 a copy of "Thompson's Monthly Bank Note Reporter" was almost as necessary to the teller's desk as the teller himself. As late as 1856, it was estimated that there

were over *sixteen hundred* plates in use, in the United States, from which bank notes were struck for circulation. These bank notes were of a great variety in color and design, and were of many different sizes. No man could remember all of them. Hence the constant necessity for reference to Thompson's Reporter, which undertook to publish a *verbal* description of each genuine bank note plate from which circulating notes were struck—no small job; and hence also the constant loss arising from counterfeiting. Since the Government undertook to furnish all the circulating medium, the number of plates from which money is struck has been reduced to a minimum, while, at the same time, the higher grade of the paper used, and the greater skill displayed by the engraver, have so greatly increased the difficulty of successful counterfeiting that the cost and risk of the fraud deter evil minded persons from attempting it.

To the accomplishment of something better in the character and form of the business of banking, some of the best men of the state of Ohio, in the years following 1840, directed their thoughts and energy. Under the leadership of Alfred Kelley, of Columbus, then a member of the state senate, the legislature of the state passed, on the twenty-fourth day of February, 1845, an act entitled, "an act to incorporate the State Bank of Ohio and other banking companies." In the preparation and advocacy of this act Mr. Kelley showed himself to be a man whose wisdom fairly gave him the title of statesman. The act was passed by a strict party vote, the Whigs voting for the meas-

ure and the Democrats opposing it. The capital of the state bank was fixed at \$6,150,000.

The act did not establish a state bank proper, but incorporated "the State Bank of Ohio," with its business done by branches. Forty-one branches were established in 35 counties and these branches were governed by a board of control, composed of one member representing each branch. This board of control met quarterly in Columbus, and Judge Gustavus Swan, of Columbus, was elected its first president.

No branch was allowed to organize with less than \$100,000, nor more than \$500,000 capital ; but in fact no branch ever had more than \$175,000 of paid up capital. Notes for circulation were supplied to the branches by the board of control, through its secretary, and were redeemable only at the branch which issued them. A branch could issue circulation on its capital up to and including \$100,000, for twice that amount ; on the second \$100,000, or part thereof, one and a half times the amount of capital paid in, in excess of \$100,000. Before the board of control could deliver to any branch notes for circulation, they must require such branch to pay over, or deposit to the credit of the board, either in money or in the bonds of the state of Ohio, or of the United States, or in good notes secured by mortgages on real estate, an amount equal to 10 per cent. of the notes for circulation to be delivered to such branch. The bonds or money so deposited were denominated the "safety fund," and were held by the board of control, as the property of the board, in trust for the several branches of the

State Bank of Ohio, as a fund for the redemption of the circulating notes of any one or more of said branches that might fail to redeem its notes.

These branches were generally located one in a county; but there were two in Chillicothe, two in Columbus and two in Cleveland, each of which had a successful career, until forced out of business, about 1863, by the general government, which assumed the right to furnish all the circulating medium issued in the country. Two branches were established in Cincinnati, but one of them failed early in its history and the other soon wound up its business as a branch bank, and continued as a private bank, under the title of Groesbeck & Co. Two branches were established, at different dates, in Toledo, but both soon failed. One failed at Akron. One failed at Newark.

In the failure of these branch banks the public had an experience which was new in the history of banking. Though five banks had failed, their circulating notes still passed at par and were redeemed in coin as promptly as the notes of any solvent bank. The public suffered no loss or inconvenience whatever.

Judge Gustavus Swan resigned as president of the board of control Nov. 21, 1854, when Dr. John Andrews, then president of the Jefferson Branch Bank at Steubenville, was elected to succeed him. Dr. Andrews served until November, 1866, when Joseph Hutcheson of Columbus was elected, and served until May, 1870. Then J. Twing Brooks, a lawyer of Salem, was elected. He finally wound up the affairs of the institution.

The service rendered to the business of the state by the State Bank of Ohio was of inestimable value. In a period when there was neither telegraph pole nor railroad tie in the state it afforded a safe and perfectly reliable circulating medium, by which the business of the state was conducted ; but more, and even better than this, it gained the absolute confidence of the people, who came to believe, and with good reason, that its red-back currency was as "good as gold." In the 20 years of its chartered life the State Bank of Ohio passed, unscathed, through three severe money panics, in the years 1847, 1857 and 1861.

Of the pioneer bankers who, from time to time, were members of the board of control, there is now but one survivor, the venerable John Gardiner, who, at age of 96 years, is still the active president of the Norwalk National Bank—a splendid man, physically and mentally.

The State Bank of Ohio demonstrated the wisdom of its founders. It lived through some troublous times, but kept its integrity. It did what it was designed to do, provided a safe circulating medium for the people of the state, which passed everywhere as current as coin. At the same time the Bank paid its stockholders a good interest on their investment.

But the success of the bank was assured under the control of such men as managed it. Read the list: E. H. Moore and John Welch of Athens; Colonel John Madeira and Dr. Albert Douglas of Chillicothe; W. A. Otis, T. P. Handy and Thomas M. Kelley of Cleveland; Valentine Winters of Dayton; Hosea

Williams of Delaware; Gustavus Swan, Alfred Kelley, and William B. Hubbard of Columbus; Henry E. Parsons of Ashtabula; James Purdy of Mansfield; Joseph J. Brooks of Salem; John Kilgour and John H. Groesbeck of Cincinnati; John McCurdy; Chauncey Dewey of Cadiz; Darius Tallmadge and M. A. Daugherty of Lancaster; Dr. John Andrews and William Spencer of Steubenville; Henry B. Curtis of Mt. Vernon; E. DeWitt and John R. Finn of Elyria; John Bacon of Springfield; Noah L. Wilson of Marietta; John H. James of Urbana; Jonathan Binns and J. W. Gill of Mt. Pleasant; H. J. Jewett and Daniel Applegate of Zanesville; John Gardiner of Norwalk; Joseph G. Young of Piqua; Eli Kinney of Ripley; E. Quinby, Jr., of Wooster; Abraham Hiveling of Xenia, and John C. Tallman of Bridgeport.

It may be safely assumed that no other organization of equal number, either secular or religious, ever existed in the state which included such an array of good men—men remarkable for intelligence, morality, business integrity and all that makes for good citizenship.

Abounding as were the benefits bestowed upon the people by the State Bank of Ohio, the limit of this paper prevents further detailed description of them, and I beg to hasten to a specific account of the early banks of Columbus.

The Franklin Bank of Columbus was incorporated, by an act of the legislature, on Feb. 23, 1816. Lucas Sullivant became its first president, but retired

after two years of service. John Kerr was president in 1819. In 1823 Gustavus Swan succeeded Kerr in the presidency and served until 1843. In 1818 William Neil was elected cashier and served until 1826, when he was succeeded by Jonah M. Espy, who remained in office until the charter expired in 1843.

It is undoubtedly true that the fine reputation and financial success of the Franklin Bank was due, in great measure, to the painstaking care bestowed on it by Mr. Espy as its executive officer. He seemed to be, by nature, a good banker. He resided for many years on the south side of Town Street between High and Third Streets. Here, in the year 1826, his daughter Isabelle was born. As a girl, and later as the wife and widow of Dr. Francis Carter, she was a brilliant member of the best society of the Capital city. Many persons now living recall with great pleasure the amiability of character and the grace of manner by which, during all her long life, she was adorned.

During the legislative session of 1833-34 the Clinton Bank of Columbus was chartered, and in October, 1834, the bank began business. William Neil was elected president and John Delafield, jr., cashier. In January, 1846, Mr. Neil was succeeded by William S. Sullivant, who continued as president until the charter of the bank expired in 1854. Mr. Delafield was succeeded as cashier by John S. Jeffords in January, 1838. Jeffords died in April, 1842, when David W. Deshler was elected cashier, and continued in office until the expiration of the charter.

The charter of the Clinton Bank, like all the early

bank charters of the state, would, in these days, be considered as wanting in requirements for the safest form of bank management; yet while many banks of its class in the state went out in insolvency, the Clinton bank of Columbus was fortunate in having able and upright men as its officers and directors, who brought it to the end of its charter, a successful, regular dividend paying, institution. After the expiration of its charter, a number of the principal stockholders formed themselves into a private banking company, known as the "Clinton Bank," under the management of William G. Deshler, the well known retired banker of today. This business finally became a part of the National Exchange Bank of Columbus.

During the legislative session of 1837-8, the "Mechanics Savings Institute" of Columbus, a bank of deposit, was incorporated. William B. Hubbard became its president and Thomas Moodie its cashier. This business was taken over by the City Bank, a state stock bank, in 1845. Joel Buttles was president of the City Bank until his death, in 1850. He was succeeded by Robert W. McCoy, who served until his death, in 1856. Thomas Moodie was cashier during the entire life of the bank. Mr. Moodie was a Scotch Presbyterian, an elder, and a good man; but there was a want of directness in his business methods, which finally led him into trouble. In November, 1854, the City Bank suspended payment, and its doors were closed.

The Exchange Bank, a branch of the State Bank

of Ohio, in Columbus, went into operation on May 24, 1845, with a paid up capital of \$125,000. William B. Hubbard was elected president. He retired in June 1852 and was succeeded by William Dennison, jr., who served until Jan. 1, 1856, when David W. Deshler succeeded him. Herman M. Hubbard was cashier until June, 1853, when he was succeeded by Morgan L. Neville, who died in December, 1855. Charles J. Hardy was elected cashier Jan. 1, 1856. Mr. Hardy served in this institution until it was wound up in 1863 and continued as cashier in various banks, state and national, which succeeded it, until July 2, 1910, when the business of the Deshler National Bank, of which he was cashier, was taken over by the Hayden-Clinton National Bank.

At that time, after more than 54 years of unblemished official life, Mr. Hardy gave up active business. The evening of his life is being spent in honorable retirement, with his family about him, and the care of his flowers for a pleasing occupation. His spotless character and his faithful service need no eulogistic comment from me. In speaking of him the phrase of the Psalmist, "Mark the perfect man, and behold the upright ; for the end of that man is peace," may be used with perfect application.

The Franklin branch of the state bank of Ohio in Columbus was incorporated by Dr. Samuel Parsons, Judge Gustavus Swan and their associates, and began business July 1, 1845, with a paid up capital of \$175,000. Dr. Samuel Parsons was elected president and served until May, 1852, when he retired. Thomas

Wood then acted as president for one year, and in July, 1853, David W. Deshler was elected to succeed him. James Espy, afterwards a well-known banker of Cincinnati, was the first cashier, and served until July, 1854, when he retired to become an active partner in the banking firm of Kinney, Espy & Co., of Cincinnati. On the retirement of Mr. Espy, Joseph Hutcherson was elected cashier and continued in office until the bank, which had been a profitable investment for its stockholders, was merged into the Franklin National Bank in 1863.

During the decade between 1850 and 1860 there were three private banks doing business in Columbus, viz : the association known as the Clinton Bank (mentioned above), Miller, Donaldson & Co., bankers, and Bartlet & Smith, bankers. The last two named were not successful and were closed out with serious loss. On Jan. 1, 1866, the private banking house of P. W. Huntington & Co. was established, at the northwest corner of High and Broad streets. Its business was a successful and growing one until June 1, 1905, when it was merged into the Huntington National Bank. On August 1, 1875, the Capital City Bank was organized by Samuel S. Rickly, who became its president. It has always been a successful institution and under the active management of Ralph R. Rickly, its present president, gives promise of a long career of usefulness in this community.

Closely allied to moral soundness in banking is commercial integrity in the community. The two walk together, and the highest plane of excellence

can be attained in neither without the co-operation of the other. By this relationship credit is established and maintained ; but however valuable and excellent in society, however profitable and pleasing, credit, public or private, may be to those who extend it, it is in vain to hope for its highest development, or even to imagine the possibility of its existence, without honesty and rectitude on the part of those to whom it may be extended. Credit is very subtle in its nature, and it can no more be forced by laws, it can no more be obtruded by authority, however high and powerful, than an article of faith can be forced on the understanding without proper proof or evidence ; but it is always fostered and strengthened by well directed enterprise and integrity of purpose. Is it then unreasonable to believe that the constantly advancing prosperity of Columbus, founded upon carefully protected credit, is closely connected with its conservatively managed banks ; and that, on the other hand, such banks are enabled to maintain themselves in character and position, partly at least, by the co-operation of their friends in the business community to whom they extend lines of credit? It must be so, and it certainly follows, "as the night the day," that prosperity is realized, in the highest sense, only when society at large, and men in all branches of business, work together, with a firm purpose to deal honestly, to encourage integrity, and to stamp out, with an unrelenting purpose, all unfair dealing and fraud. Every man is interested in this matter. Let us all, then, work together for the accomplishment of the purpose

to establish the business of our community upon the highest level of excellence.

As a means to the accomplishment of the end here suggested the present system of banking in Columbus, with its supervision by our Clearing House Association, is a potent factor. Under this system our banks are prosperous, and are widely and favorably known. Some of them have business connections throughout our country, and in foreign lands, where their evidences of indebtedness pass unquestioned.

P. W. HUNTINGTON.

COLUMBUS, OHIO.

October 28, 1912.

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